Manitoba

ANNUAL REPORT

1983 - 1984

Manitoba Development Corporation

MANITOBA DEVELOPMENT CORPORATION

ANNUAL REPORT

MARCH 31st, 1984

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MANITOBA DEVELOPMENT CORPORATION

Honourable Eugene Kostyra,
Minister Responsible for the Administration of
The Development Corporation Act.

In accordance with the provisions of Part I and Part II of The Development Corporation Act, enclosed is the report on the operations and activities of the Manitoba Development Corporation during the fiscal year ended March 31, 1984.

Respectfully submitted on
behalf of the Board of Directors

H. J. Jones,
Chairman and General Manager.

480 POWER BUILDING, 428 PORTAGE AVE., WINNIPEG, MANITOBA R3C 0E4 . TELEPHONE (204) 949-1844

REPORT OF THE CHAIRMAN AND GENERAL MANAGER

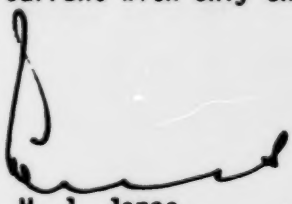
I report once again that the financing activities of the Corporation were suspended on November 15, 1977, and that the only activity under Part I of The Development Corporation Act related directly to the provision of a loan and chartered bank guarantee for Flyer Industries Limited in the amounts of $9,750,000 and $10,000,000 respectively.

Under Part II of The Act, Orders-in-Council provided the authority for the Corporation to lend $1,812,320 to tourism businesses eligible for Destination Manitoba assistance.

Destination Manitoba is a Federal/Provincial cost-shared program under the Canada/Manitoba Subsidiary Agreement on Tourism Development whereby the Corporation acts as the agent of government in administering a portion of this program. The Corporation's portion of the program is directed at the development and expansion of rural tourist facilities by way of loan assistance for capital projects.

At March 31, 1984, there were 19 loan accounts with a net amount owing of $9,131,035 compared to 20 accounts, at the previous year-end, for a total of $9,766,216.

The loan portfolio is considered current with only one exception.



March, 1985

H. J. Jones,
Chairman and General Manager.

Directors and Officers
at March 31, 1984

Board of Directors

HUGH JONES, Chairman and General Manager

WILLIAM BENNETT

GEORGE DRAM

DAVID EPP

JAMES E. GOODMAN

ARNOLD MORBERG

J. ANGUS SPENCE

Officers

HUGH JONES, Chairman and General Manager

ALEC Y. MUSGROVE, Assistant General Manager
and Treasurer

GREG. M. GOODWIN, Secretary

MANITOBA

PROVINCE OF MANITOBA
PROVINCIAL AUDITOR

MANITOBA DEVELOPMENT CORPORATION

REPORT OF THE PROVINCIAL AUDITOR'S OFFICE

We have examined the financial statements, being the Balance Sheet, Statement of Operations, Statement of Deficit and Schedules 1 to 4, of the Manitoba Development Corporation for the fiscal year ended March 31, 1984. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

The total income shown on the Statement of Operations in the amount of $4,184,470 includes $1,605,836 of interest received or receivable from the Province of Manitoba on account of trust deposits of the Corporation's surplus funds pertaining to Part I operations.

In our opinion, these financial statements, together with the comments in the preceding paragraph, present fairly the financial position of the Manitoba Development Corporation as at March 31, 1984 and the results of its operations for the year then ended in accordance with the accounting policies stated in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

W. K. Ziprick, C.A.,
Provincial Auditor.

September 14, 1984,
Winnipeg, Manitoba.

MANITOBA DEVELOPMENT CORPORATION

Balance Sheet
as at March 31, 1984

ASSETS

	1984	1983
Part I		
Cash in bank	$ 240,887	$ 146,252
Short term deposits with the Province of Manitoba	17,640,353	16,352,017
Recoverable from the Province of Manitoba:		
Interest on advances under Part II	54,580	24,046
Costs re The Pas Forestry Complex (Note 3(c))	-	3,696
Costs re Destination Manitoba (Note 7)	39,579	35,642
	94,159	63,384
Recoverable from Canada (Note 6)	62,000	-
Loans receivable, less allowance for doubtful accounts, Schedule 3	9,131,035	9,766,216
Equity investments and related loan receivable, Schedule 1, less allowance for potential losses, Schedule 3	-	8,209,598
Properties held for resale, at the lower of cost or estimated realizable value	187,662	212,159
Office furniture at cost less accumulated depreciation $54,198 (1983 - $53,643)	1,705	2,260
	$ 27,357,801	$ 34,751,886
Part II		
Loans receivable authorized by the Province of Manitoba under Part II of the Development Corporation Act:		
Principal	$ 1,042,458	$ 3,475,000
Interest	86,962	22,688
Equity investments and related loan receivable authorized by the Province of Manitoba under Part II of the Development Corporation Act, Schedule 4	12,898,017	12,507,550
Due from Part I	49,542	-
	$ 14,076,979	$ 16,005,238

SIGNED ON BEHALF OF THE BOARD

Joan L. Gee _____ Director

Walter Kramchynski _____ Director

LIABILITIES

	1984	1983
Part I		
Accounts payable - trade	$ 18,149	$ 57,044
- Province of Manitoba	362,734	11,930
	380,883	68,974
Amount due to the Communities Economic Development Fund (Note 5(b))	459,527	464,889
Held in trust	56,853	-
Allowance for potential loss on bank loan guarantee (Note 4)	2,450,000	-
Due to Part II	49,542	-
	3,396,805	533,863

SHAREHOLDER'S EQUITY

Capital Stock:		
Authorized: 500,000 shares, par value $100 each issued and fully paid 500,000 shares	50,000,000	50,000,000
Deficit	(26,039,004)	(15,781,977)
	23,960,996	34,218,023
	$ 27,357,801	$ 34,751,886
Part II		
Accounts payable	$ 984,879	$ 401,471
Advances from the Province of Manitoba under Part II of the Development Corporation Act	13,092,100	15,603,767
	$ 14,076,979	$ 16,005,238

MANITOBA DEVELOPMENT CORPORATION

Statement of Operations
for the year ended March 31, 1984

	1984	1983
Income:		
Interest:		
Loans - Part I	$ 1,196,372	$ 1,318,658
- Part II	948,480	700,607
Term deposits	1,605,836	1,772,054
	3,750,688	3,791,319
Rental income - net	9,267	10,523
Destination Manitoba cost recoveries (Note 7)	147,348	35,642
Grants received (Note 6)	248,000	-
Guarantee fees	29,167	-
	4,184,470	3,837,484
Expense:		
Interest - Province of Manitoba - Part II	948,480	700,607
Salaries (Note 5)	124,221	73,923
Other expenses (Note 5)	254,871	172,492
Consultant's fees and expenses re: transportation studies (Note 6)	114,324	131,533
	1,441,896	1,078,555
Net income before the following:	2,742,574	2,758,929
Provision for doubtful accounts and potential losses on investments and guarantee, Schedule 3	(12,226,484)	(3,233,128)
Net loss for the year	(9,483,910)	(474,199)
Add: Subsidy to the Communities Economic Development Fund (Note 5(b))	(773,117)	(988,016)
Transfer to Deficit	$(10,257,027)	$(1,462,215)

MANITOBA DEVELOPMENT CORPORATION

Statement of Deficit
for the year ended March 31, 1984

	1984	1983
Balance - beginning of year	$(15,781,977)	$(14,319,762)
Transfer from operations	(10,257,027)	(1,462,215)
Balance - end of year	$(26,039,004)	$(15,781,977)

MANITOBA DEVELOPMENT CORPORATION

Part I Equity Investments and Related Loan Receivable as at March 31, 1984

	Shares Issued and Outstanding	Shares owned by the Manitoba Development Corporation	Equity Investments	Loan Receivable
William Clare (Manitoba) Ltd.				
Equity investment-nominal value				
Common shares	100	100	$ 1	
Flyer Industries Limited				
Equity investment-at cost				
Preferred shares	10,000,000	9,682,000	9,682,000	
Common shares	552,883	552,563	16,750,106	
Loan receivable				$ 3,646,261
			$ 26,432,107	$ 3,646,261

Summary:	
Equity investments	$ 26,432,107
Loan receivable	3,646,261
	30,078,368
Less: Allowance for potential losses, Schedule 3	30,078,368
Equity investments and related loan receivable - net	$ -

Schedule 2

MANITOBA DEVELOPMENT CORPORATION

Part I Account in Receivership
as at March 31, 1984

	1984	1983
Saunders Aircraft Corporation Limited	$ 100	$ 100
Less: Allowance for estimated losses, Schedule 3	100	100
Account in receivership - net	$ -	$ -

MANITOBA DEVELOPMENT CORPORATION

Part I Allowance for Doubtful Accounts and Potential Losses on Investments and Guarantee for the year ended March 31, 1984

	Balance March 31, 1983	Add: Provision	Less: Write-offs	Balance March 31, 1984
Loans receivable	$ 193,008	$ (11,873)	$ 131,135	$ 50,000
Equity investments and related loan receivable, Schedule 1	20,290,011	9,788,357	-	30,078,368
Bank loan guarantee to subsidiary (Note 4)	-	2,450,000	-	2,450,000
Account in receivership, Schedule 2	100	-	-	100
	$ 20,483,119	$ 12,226,484	$ 131,135	$ 32,578,468

Schedule 4

MANITOBA DEVELOPMENT CORPORATION

Part II Equity Investments and Related Loan Receivable as at March 31, 1984

	Shares Issued and Outstanding	Shares owned by the Manitoba Development Corporation	Equity Investments	Loan Receivable
A. E. McKenzie Co. Ltd.				
Equity investment - at cost				
Preferred shares	5,000,000	5,000,000	$ 5,000,000	
Common shares	1,145	-	-	
Loan receivable:				
Principal				$ 7,000,000
Interest				897,917
Winnipeg Racing Ltd.				
Equity investment - at cost				
Class "A"	100	100	100	
			$ 5,000,100	$ 7,897,917

Summary:	
Equity investments	$ 5,000,100
Loan receivable	7,897,917
Equity investments and related loan receivable	$ 12,898,017

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements
March 31, 1984

1. Accounting Policies:

(a) The Corporation's lending and guaranteeing activities undertaken on its initiative are under Part I of the Development Corporation Act and are subject to the limitations outlined in note 2; the activities undertaken on the initiative of the Government are under Part II of the Act. In accordance with the Act, the activities under Part I and Part II are accounted for separately.

On the basis that Part II activities are initiated and funded by the Government, the Corporation accounts for these activities on an agency basis. Accordingly, no provisions for doubtful accounts and potential losses on investments are reflected in Part II. Appropriate provisions are reflected in the accounts of the Province of Manitoba.

(b) An accrual basis of accounting is being followed except for (e) below.

(c) The Corporation's financial statements do not include the accounts of its two subsidiary companies on a consolidated basis.

The Corporation's investment in Flyer Industries Limited is shown at cost less an allowance which approximates the accumulated deficit of that company as reported in its audited financial statements for the year ended December 31, 1983.

The Corporation's investment in William Clare (Manitoba) Limited is shown at a nominal value of $1.

(d) The allowance for doubtful accounts, i.e., possible losses on loans to borrowers wherein the Corporation does not have an equity investment, has been determined on an individual account basis.

(e) The officers and employees of the Corporation are not members of the Civil Service of the Government of Manitoba, but they contribute to and are pensionable under the Civil Service Superannuation Fund. In accordance with the provision of the Manitoba Civil Service Superannuation Act, the Corporation contributes 50% of the pension disbursement made to retired employees. Such payments are charged to operations as incurred and provision is not made in the accounts to fund current or past service obligations to the Superannuation Fund. On the basis of an actuarial report, the unfunded liability for the Corporation's employees amounted to $141,385 as at December 31, 1983.

(f) Salaries and other expenses are subject to sharing with the Communities Economic Development Fund in accordance with the terms disclosed in note 4.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements
March 31, 1984

2. Lending Operations:

The Corporation's lending operations were suspended effective November 15, 1977 except that, since that date, on the direction of the Government of Manitoba both Part I and Part II guarantee and loan commitments have been made. Guarantees and loan commitments outstanding are included in note 3.

3. Contingent Liabilities and Commitments:

	March 31 1984	March 31 1983
(a) Contingent Liabilities:		
Part I Contingent liability as guarantor for bank loans to borrowers as follows:		
Flyer Industries Limited	$ 10,000,000	$ -
	$ 10,000,000	$ -
(b) Commitments:		
Part I Commitment - undisbursed balance of approved loan:		
Flyer Industries Limited	$ 7,750,000	$ -
Part II Commitment - undisbursed balances of approved loans:		
Destination Manitoba	$ 1,329,362	$ -
Manitoba Mineral Resources Ltd.	-	2,985,000
Winnipeg Racing Ltd.	-	609,403
Tantalum Mining Corp.	408,000	500,000
	$ 1,737,362	$ 4,094,403

(c) The Pas Forestry Complex

In accordance with the terms of an agreement dated March 25, 1975, between Manitoba Forestry Resources Ltd., the Province of Manitoba and the Corporation, the Corporation has a continuing responsibility to press all claims in connection with the affairs of the several companies comprising The Pas Forestry Complex or the assets of the Complex, which were transferred to Manitoba Forestry Resources Ltd., and also to defend claims in respect to those assets. All costs incurred by the Corporation in respect of such claims will be reimbursed by the Province of Manitoba.

(d) Saunders Aircraft Corporation Limited

By Order-in-Council, previous capital advances of the Province of Manitoba to the Manitoba Development Corporation regarding Saunders Aircraft Corporation Limited were converted to conditional grants. In accordance with the conditions of this conversion, the net proceeds from the disposal of Saunders' assets are payable to the Province of Manitoba.

M.D.C. has indemnified the Receiver-Manager for expenses, losses or damages incurred as Receiver-Manager including product support. The Receiver-Manager has retained sufficient funds to cover future administrative costs. No provision has been recorded in the Corporation's accounts regarding potential claims.

(e) Litigation

The Corporation is named as defendant regarding a former loan application. The claim for general damages in the amount of $2 million, special damages, and costs of the action are being defended by legal counsel of the Corporation. No provision has been recorded in the Corporation's accounts regarding this claim.

4. Allowance for potential loss on bank loan guarantee:

The Corporation provides an allowance for potential loss on its investment in Flyer Industries Limited on the basis described in Note 1(c) to these financial statements.

Because the subsidiary's accumulated deficit reported in its most recent audited financial statements exceeds the Corporation's investment as at March 31, 1984, it is necessary to consider the Corporation's bank loan guarantee (Note 3(a)) to the subsidiary and provide an additional allowance for potential loss for this excess amount.

5. Administration of the Corporation:

(a) The Manitoba Development Corporation is jointly administered with the Communities Economic Development Fund. Common administrative expenses are paid by the Fund except for rent and utility costs which are paid by the Corporation.

(b) The Manitoba Development Corporation provides the subsidy assistance required by the Communities Economic Development Fund to the extent of the Fund's excess of expense over income.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements
March 31, 1984

6. Transportation Studies:

Commencing in the 1981-1982 fiscal year, the Corporation undertook certain transportation studies in other countries. These studies are considered to have potential direct benefits to both Canada and the Province of Manitoba, and on this basis, applications for cost-sharing with Canada were processed.

As at March 31, 1984, $423,138 has been expended on transportation studies. Canada's total approved assistance towards this cost amounts to $256,718. The Corporation received $8,718 of this assistance in 1981-1982 and the remaining $248,000 in assistance was approved during the 1983-1984 fiscal year, of which $186,000 was received during that year and $62,000 received subsequent to March 31, 1984.

7. Destination Manitoba Program:

The Rural Tourism Industry Incentive Program (Destination Manitoba) is a Federal/Provincial cost shared program under the Canada/Manitoba Subsidiary Agreement on Tourism Development. The Corporation, under the authority of Part II of the Development Corporation Act, acts as the agent of government in administering a portion of this program. The Corporation's portion of the program is directed at the development and expansion of rural tourist facilities by way of loan assistance for capital projects. The Department of Business Development and Tourism, through its appropriations, funds the conditional grants portion of this program. On this basis, the cost of the conditional grants is reflected in the accounts of the Department and not under the Corporation's Part II activities. Because the grant aspect of the program is linked to the Part II loans portion of the program, the Corporation acts as the conduit for the conditional grant payments and administers the conditional aspects of the grant, as part of its own loan monitoring procedures.

Under an arrangement with the Department of Business Development and Tourism, the Corporation is entitled to recover direct and indirect costs that it incurs in administering the program.

MANITOBA DEVELOPMENT CORPORATION

Report of Assistance Granted or to be Granted
for the year ended March 31, 1984

Assistance approved under Part I of the Development Corporation Act

FLYER INDUSTRIES LIMITED

Loan - interest rate 12% - repayable on demand	$ 9,750,000
Guarantee - fee 1/2 of 1% per annum	$ 10,000,000

Assistance approved under Part II of the Development Corporation Act

DESTINATION MANITOBA LOANS

The first $25,000 of a loan may be non-interest bearing while the balance of the loan bears interest at 1/2 of the bank commercial prime rate adjusted quarterly; however, the rate charged will not exceed 7%.

	Interest Rate	Term	Amount
A.C. Enterprises Ltd.	nil	10 years	$ 25,000
A.C. Enterprises Ltd.	7% maximum	10 years	64,440
Bea-Gren Enterprises Ltd.	nil	10 years	25,000
Bea-Gren Enterprises Ltd.	7% maximum	10 years	96,200
Bennett's Lodges Ltd.	nil	10 years	20,703
Ken and Janet Bridgeman	nil	4 years & 5 months	15,000
Canway Inns Ltd.	nil	10 years	25,000
Canway Inns Ltd.	7% maximum	10 years	179,478
Robin and Mary Carpenter	nil	4 years & 5 months	12,800
Dymond Lake Outfitters Ltd.	nil	10 years	25,000
Dymond Lake Outfitters Ltd.	7% maximum	10 years	31,350
Elkhorn Ranch and Resort Ltd.	nil	10 years	25,000
Elkhorn Ranch and Resort Ltd.	7% maximum	10 years	200,000
Enright Holdings Ltd.	nil	10 years	25,000
Enright Holdings Ltd.	7% maximum	10 years	26,751
Hillside Marina Incorporated	nil	10 years	25,000
Hillside Marina Incorporated	7% maximum	10 years	77,000
Lake Manitoba Narrows Lodge Ltd.	nil	10 years	25,000
Lake Manitoba Narrows Lodge Ltd.	7% maximum	10 years	16,648
McKelvey Enterprises Ltd.	nil	10 years	16,040
R.F. and E.G. Morris	nil	10 years	25,000
R.F. and E.G. Morris	7% maximum	9 years & 3 months	13,122

	Interest Rate	Term	Amount
Mystery Lake Motor Hotel Ltd.	nil	10 years	25,000
Mystery Lake Motor Hotel Ltd.	7% maximum	10 years	125,000
Northway Hotel Co. Ltd.	nil	10 years	25,000
Northway Hotel Co. Ltd.	7% maximum	10 years	200,000
P. & R. Enterprises Ltd.	nil	5 years	2,088
William and Laurie Scarfe	nil	10 years	19,000
Leonard Smith & Roy Bukowsky	nil	10 years	25,000
Leonard Smith & Roy Bukowsky	7% maximum	5 years	2,180
Tawow Lodge Ltd.	nil	10 years	9,000
Larry Williamson	nil	10 years	10,520
Winnipegosis Holdings Ltd.	nil	10 years	25,000
Winnipegosis Holdings Ltd.	7% maximum	10 years	200,000
65683 Manitoba Ltd.	7% maximum	6 years	150,000
			$1,812,320

AUDITOR'S REPORT

The foregoing report has been prepared by the officials of the Manitoba Development Corporation and checked by my representatives with the records of the Corporation which have been audited by us. In our opinion this report reflects the assistance granted or committed to be granted by the Corporation for the year ended March 31, 1984.

W. K. Ziprick, C.A.,
Provincial Auditor.

September 14, 1984,
Winnipeg, Manitoba.

POOR
QUALITY
ORIGINAL